

RD AN No. 4180 (4279-A, 4287-B and 4280-B)
May 4, 2006

SUBJECT: Business and Industry Guaranteed and Direct Loan Programs and Section
9006 Renewable Energy Systems and Energy Efficiency Improvements
Guaranteed Loan Program - Collateral Reconciliation

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

In order to facilitate an orderly liquidation, the lender must keep an accounting of collateral. Reconciliation of the collateral is essential to the orderly liquidation process. A current collateral listing can be compared to the collateral taken at loan inception. Proper documentation will prevent the recurring problems that are being experienced in the liquidation process and will ensure proper accounting of all collateral. The purpose of this AN is to clarify information needed.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4077, dated March 13, 2005, which expired on April 30, 2006.

IMPLEMENTATION RESPONSIBILITIES:

RD Instruction 4279-A, section 4279.30(a)(1)(iv), states that the lender is responsible for: "Obtaining valid evidence of . . . collateral in accordance with sound lending practices." Lenders should complete an inventory accounting of all collateral items prior to the disbursing of loan proceeds. Lender and Agency files should be documented to include a complete collateral listing.

EXPIRATION DATE:
May 31, 2007

FILING INSTRUCTIONS:
Preceding RD Instructions 4279-A, 4287-B and
4280-B

In addition, RD Instruction 4287-B, section 4287.157(d) provides that the lender's liquidation plan must include a full and complete list of all collateral including any personal and corporate guarantees. The Lender's Agreement, Form 4279-4, paragraph IV., Servicing, C. 6., states: ". . . if personal or corporate guarantees are part of the collateral, current financial statements from such loan guarantors will be obtained and copies provided to USDA at such time and frequency as required by the loan agreement or Conditional Commitment for Guarantee."

The State Office is responsible for following up with the lender when personal financial statements are not submitted on a timely basis. The Lender's Agreement, Form 4279-4, paragraph IV., Servicing, C. 1., states that the lender is responsible for: "Obtaining compliance with the covenants and provisions in the note, loan agreement, security instruments, and any supplemental agreements and notifying, in writing, USDA and the borrower of any violations. None of the aforesaid instruments will be altered without USDA's prior written concurrence."

In accordance with RD Instruction 4280-B, section 4280.152, all Section 9006 Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loans are to be serviced in accordance with this subpart.

Any questions or comments should be directed to the Business and Industry Division Servicing Branch, (202) 690-4103.

(Signed by Jackie J. Gleason)

JACKIE J. GLEASON
Acting Administrator
Business and Cooperative Programs